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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, MAY 27, 1999

APPLICATION OF

VIRGINIA ELECTRIC AND POWER COMPANY

CASE NO. PUA980037

For approval of affiliate transactions
with Virginia Power Services Energy, Inc.

ORDER DIRECTING RESPONSE

By letter dated May 17, 1999, the City of Richmond ("the City"), by counsel, takes issue with representations made by Virginia Electric and Power Company ("Virginia Power") in the above-captioned matter. The City states that Virginia Power's assignment of the Service Agreement between Virginia Power and the City (Contract No. TR-0004) to its affiliate, Virginia Power Services Energy Corp., Inc. ("VPSE"), is inconsistent with the stated purpose of Virginia Power's application and with the limited authority granted by the Commission in its January 28, 1999, Order Granting Approval¹. Specifically, the City does not believe that the above-referenced service agreement meets the purpose of Virginia Power's application since the subject of the Service Agreement (Firm Transportation) has no

¹ In its January 28, 1999, Order Granting Approval, the Commission approved Virginia Power's application subject to the "terms and conditions and for the purposes" described in its application.

discernible nexus to out-of-state activities and the avoidance of the income tax liability associated with such activities, which formed the basis for the transfer of the remaining contracts.

A copy of that letter was provided to counsel for Virginia Power.

NOW THE COMMISSION, having considered the matter, is of the opinion and finds that Virginia Power should respond to the concerns raised by the City in the above-referenced letter. Accordingly, IT IS ORDERED THAT:

(1) On or before June 10, 1999, Virginia Power shall file a response to the concerns raised by the City in its letter dated May 17, 1999, which was filed in this proceeding.

(2) Such response shall, at a minimum, state whether Virginia Power is assigning the above-referenced contract for the purpose set out in its application and shall explain how such contract meets the stated purpose of the application.

(3) The City may file a reply to Virginia Power's Response on or before June 18, 1999.

(4) This matter is continued generally.